

# Auditing Procedures Report V1.04



Issued under Public Act 2 of 1968, as amended.

Unit Name	TOWNSHIP OF ADAMS	County	HOUGHTON	Type	TOWNSHIP	MuniCode	31-1-010
Opinion Date-Use Calendar	Jul 22, 2008	Audit Submitted-Use Calendar	Jul 22, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 242,139.00
General Fund Expenditure:	\$ 204,710.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 611,238.00
Governmental Activities Long-Term Debt (see instructions):	\$ 37,279.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Bruce	Last Name	Rukkila	Ten Digit License Number	1101012440		
CPA Street Address	310 Shelden Ave	City	Houghton	State	MI	Zip Code	49931
CPA Firm Name	Bruce A Rukkila, CPA, PC	Unit's Street Address	310 Shelden Ave	City	Houghton	LU Zip	49931

TOWNSHIP OF ADAMS  
HOUGHTON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2008

**TOWNSHIP OF ADAMS**

**MARCH 31, 2008**

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**ELECTED OFFICIALS**

Supervisor .....	Richard Mulari
Clerk .....	Denise Maki
Treasurer .....	Bette Heikkila
Trustee .....	David Mattila
Trustee .....	Debra Pindral

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## INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Adams as of and for the year then ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Township of Adams as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township of Adams has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce A. Rukkila, CPA, PC*  
Certified Public Accountants

July 22, 2008

**TOWNSHIP OF ADAMS**  
**STATEMENT OF NET ASSETS**  
**March 31, 2008**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 397,017	\$ 729,444	\$ 1,126,461
Receivables	15,658	103,429	119,087
Prepaid expenses	8,809	19,856	28,665
Internal balances	222,538	(222,538)	-
Due from fiduciary funds	745	-	745
<b>TOTAL CURRENT ASSETS</b>	<b>644,767</b>	<b>630,191</b>	<b>1,274,958</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash	-	841,182	841,182
Capital assets	2,037,516	11,594,428	13,631,944
Less: accumulated depreciation	(1,230,121)	(3,344,115)	(4,574,236)
<b>TOTAL NONCURRENT ASSETS</b>	<b>807,395</b>	<b>9,091,495</b>	<b>9,898,890</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,452,162</b>	<b>\$ 9,721,686</b>	<b>\$ 11,173,848</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 14,197	\$ 35,441	\$ 49,638
Bonds payable, current maturities	10,000	48,000	58,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>24,197</b>	<b>83,441</b>	<b>107,638</b>
<b>NONCURRENT LIABILITIES:</b>			
Bonds payable, less current maturities	25,000	2,540,000	2,565,000
Compensated absences	2,279	-	2,279
Deferred revenue	-	62,222	62,222
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>27,279</b>	<b>2,602,222</b>	<b>2,629,501</b>
<b>TOTAL LIABILITIES</b>	<b>51,476</b>	<b>2,685,663</b>	<b>2,737,139</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	805,116	637,094	1,442,210
Contributed capital	-	5,025,219	5,025,219
Restricted for debt service	6,504	-	6,504
Restricted	-	841,182	841,182
Unreserved	589,066	532,528	1,121,594
<b>TOTAL NET ASSETS</b>	<b>1,400,686</b>	<b>7,036,023</b>	<b>8,436,709</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,452,162</b>	<b>\$ 9,721,686</b>	<b>\$ 11,173,848</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**STATEMENT OF ACTIVITIES**  
**March 31, 2008**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Capital	Primary Government		
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental		Total
					Activities	Business-Type Activities	
Primary government:							
Government activities:							
General government	\$ 123,249	\$ 29,254	\$ -	\$ -	(93,995)	\$ -	(93,995)
Public safety	26,446	-	-	-	(26,446)	-	(26,446)
Public works	33,228	-	-	-	(33,228)	-	(33,228)
Recreation and culture	8,846	-	-	-	(8,846)	-	(8,846)
Other	52,646	-	-	-	(52,646)	-	(52,646)
Principal on long term debt	10,000	-	-	-	(10,000)	-	(10,000)
Interest on long term debt	1,800	-	-	-	(1,800)	-	(1,800)
Total governmental activities	256,215	29,254	-	-	(226,961)	-	(226,961)
Business-type activities:							
Water	460,400	408,012	-	-	-	(52,388)	(52,388)
Sewer	184,684	178,978	-	-	-	(5,706)	(5,706)
Total business-type activities	645,084	586,990	-	-	-	(58,094)	(58,094)
Total primary government	\$ 901,299	\$ 616,244	\$ -	\$ -	(226,961)	(58,094)	(285,055)

General Revenues:

Taxes

Property taxes, levied for general operations	81,863	-	81,863
State shared revenue	133,842	-	133,842
Interest and investment earnings	5,252	31,604	36,856
Contributions not restricted to specific programs	100	-	100
Other	23,754	9,848	33,602
Total general revenues, transfers, and special items	244,811	41,452	286,263
Change in Net Assets	17,850	(16,642)	1,208
Net Assets - Beginning	1,382,836	7,052,665	8,435,501
Net Assets - Ending	\$ 1,400,686	\$ 7,036,023	\$ 8,436,709

The accompanying notes to financial statements are an integral part of this statement.



**TOWNSHIP OF ADAMS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**March 31, 2008**

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 397,017	\$ -	\$ 397,017
Taxes receivable	7,270	8,388	15,658
Due from other funds	292,416	11,515	303,931
Due from fiduciary funds	745	-	745
Prepaid insurance	8,809	-	8,809
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$ 706,257</u></b>	<b><u>\$ 19,903</u></b>	<b><u>\$ 726,160</u></b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 6,983	\$ 571	\$ 7,554
Accrued expenses	6,643	-	6,643
Due to other funds	81,393	-	81,393
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>95,019</u></b>	<b><u>571</u></b>	<b><u>95,590</u></b>
<b>FUND BALANCES:</b>			
Restricted	-	6,504	6,504
Unreserved	611,238	12,828	624,066
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 706,257</u></b>	<b><u>\$ 19,903</u></b>	<b><u>630,570</u></b>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	807,395
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(37,279)</u>
Net assets of governmental activities	<b><u>\$ 1,400,686</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended March 31, 2008**

	General Fund	Other Non-major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 52,223	\$ 29,640	\$ 81,863
State revenue sharing	133,842	-	133,842
Other state revenue	1,018	-	1,018
Charges for services	29,254	-	29,254
Interest	5,252	-	5,252
Rentals	6,300	-	6,300
Contributions	100	-	100
Other revenue	14,150	2,286	16,436
Total revenues	<u>242,139</u>	<u>31,926</u>	<u>274,065</u>
Expenditures:			
General government	88,649	-	88,649
Public safety	841	25,605	26,446
Public works	33,228	-	33,228
Recreation and culture	8,846	-	8,846
Other	52,646	-	52,646
Principal and interest	-	11,800	11,800
Total expenditures	<u>184,210</u>	<u>37,405</u>	<u>221,615</u>
Excess (deficiency) of revenue over expenditures	<u>57,929</u>	<u>(5,479)</u>	<u>52,450</u>
Operating transfers in	-	20,500	20,500
Operating transfers out	<u>(20,500)</u>	<u>-</u>	<u>(20,500)</u>
Total other financing sources (uses)	<u>(20,500)</u>	<u>20,500</u>	<u>-</u>
Fund Balance (Deficit) - Beginning of Year	<u>573,809</u>	<u>4,311</u>	
Fund Balance (Deficit) - End of Year	<u>\$ 611,238</u>	<u>\$ 19,332</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures.

This amount represents depreciation. (54,683)

Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.

20,083

Change in net assets of governmental activities

\$ 17,850

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**PROPRIETARY FUNDS**  
**BALANCE SHEET**  
**Year Ended March 31, 2008**

	Business-Type Activities		
	Major Funds		
	Sewer System	Water System	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 532,621	\$ 196,823	\$ 729,444
Accounts receivable	70,392	33,037	103,429
Prepaid expenses	1,356	18,500	19,856
Due from other funds	2,000	100,954	102,954
Total current assets	606,369	349,314	955,683
Restricted cash	264,860	576,322	841,182
Property, plant, and equipment	7,573,753	4,020,675	11,594,428
Accumulated depreciation	(1,542,472)	(1,801,643)	(3,344,115)
	6,031,281	2,219,032	8,250,313
<b>TOTAL ASSETS</b>	<b>\$ 6,902,510</b>	<b>\$ 3,144,668</b>	<b>\$ 10,047,178</b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 7,335	\$ 4,042	\$ 11,377
Accrued expenses	216	23,848	24,064
Due to other funds	290,610	34,882	325,492
Current maturities on long term debt	22,000	26,000	48,000
Total current liabilities	320,161	88,772	408,933
Long-term liabilities:			
Deferred revenue	62,222	-	62,222
Bonds/note payable	1,437,000	1,103,000	2,540,000
<b>TOTAL LIABILITIES</b>	<b>1,819,383</b>	<b>1,191,772</b>	<b>3,011,155</b>
<b>FUND EQUITY:</b>			
Contributed capital	4,676,898	348,321	5,025,219
Retained earnings:			
Reserved	264,860	576,322	841,182
Unreserved	141,369	1,028,253	1,169,622
Total retained earnings	406,229	1,604,575	2,010,804
<b>TOTAL FUND EQUITY</b>	<b>5,083,127</b>	<b>1,952,896</b>	<b>7,036,023</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 6,902,510</b>	<b>\$ 3,144,668</b>	<b>\$ 10,047,178</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN RETAINED EARNINGS**  
Year Ended March 31, 2008

	Business-Type Activities		
	Major Funds		Total
	Sewer System	Water System	
OPERATING REVENUES:			
Sales and charges for services	\$ 178,978	\$ 408,012	\$ 586,990
Other revenue	597	9,251	9,848
TOTAL OPERATING REVENUES	179,575	417,263	596,838
EXPENSES:			
Salaries, wages, and fringe benefits	13,483	121,971	135,454
Supplies, materials, and other	5,647	51,222	56,869
Repair and maintenance	-	30,663	30,663
Insurance	-	16,531	16,531
Utilities	6,226	108,819	115,045
Other services and support	94,070	4,604	98,674
Depreciation	200,355	83,019	283,374
TOTAL OPERATING EXPENSES	319,781	416,829	736,610
OPERATING INCOME (LOSS)	(140,206)	434	(139,772)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	5,764	25,840	31,604
Interest expense	(33,299)	(65,273)	(98,572)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(27,535)	(39,433)	(66,968)
NET INCOME (LOSS)	(167,741)	(38,999)	(206,740)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	5,082,472	1,970,193	7,052,665
ADJUSTMENTS TO FUND EQUITY:			
Add depreciation on fixed assets acquired with new capital	168,396	21,702	190,098
RETAINED EARNINGS (DEFICIT), END OF YEAR	\$ 5,083,127	\$ 1,952,896	\$ 7,036,023

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
Year Ended March 31, 2008

	Enterprise Funds		
	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 179,306	\$ 408,936	\$ 588,242
Payments to suppliers	(20,917)	(259,475)	(280,392)
Payments to employees	(13,615)	(84,239)	(97,854)
Other receipts (payments)	543	9,252	9,795
Net cash provided by operating activities	145,317	74,474	219,791
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	0	(3,529)	(3,529)
Principal paid on capital debt	(20,940)	(25,000)	(45,940)
Interest paid on capital debt	(33,299)	(65,273)	(98,572)
Net cash (used) by capital and related financing activities	(54,239)	(93,802)	(148,041)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	5,764	25,840	7,808
Net cash provided by investing activities	5,764	25,840	7,808
Net (decrease) in cash and cash equivalents	96,842	6,512	79,558
Balances -- beginning of the year	700,639	766,633	1,467,272
Balances -- end of the year	\$ 797,481	\$ 773,145	\$ 1,570,626
<b>Reconciliation of operating income (loss) to net cash provided</b>			
(used) by operating activities:			
Operating income (loss)	\$ (140,206)	\$ 434	\$ (139,772)
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	200,355	83,019	283,374
Change in assets and liabilities			
Receivables, net	(2,893)	925	(1,968)
Prepaid Expenses	(1,356)	(3,919)	(5,275)
Accounts and other payables	86,329	(6,327)	80,002
Accrued Expenses	(132)	342	210
Deferred revenue	3,220	0	3,220
Net cash provided by operating activities	\$ 145,317	\$ 74,474	\$ 219,791

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**March 31, 2008**

	<u>Fiduciary Funds</u>
ASSETS:	
Cash	\$ 27,387
Due from other governmental units	<u>10,623</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 38,010</u></b>
LIABILITIES:	
Due to General Fund	\$ 745
Due to Fire Protection Fund	23
Due to other governmental units	<u>37,242</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 38,010</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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The Township was organized on March 19, 1867 and covers an area of approximately 47.5 square miles. The Township operates under an elected board of five members.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Township of Adams, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

**REPORTING ENTITY**

The Township of Adams is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

There are no other governmental units within the Township that are controlled by, or dependent upon the Township's Board of Trustees. In accordance with NCGA Statements 3 and 7, control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

**Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as trust and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The following fund types are used by the Township:

Governmental Funds - The focus of the governmental funds' measurement (in the fund statements) is upon determination of the financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental fund of the Township:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

The following is a description of the non-major governmental funds of the Township:

Fire Fund - The Fire Fund accounts for fire protection by special assessment under Act 33, 1951, as amended.

Debt Retirement Fund - The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Both water and sewer funds are major enterprise funds of the Township.

Fiduciary Funds - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Fiduciary funds are not included in the government-wide statements.

The following is a description of the fiduciary funds:

Current Tax Collection Fund - The Current Tax Collection Fund accounts for collection and disbursement of property tax collections.

Delinquent Tax Collection Fund - The Delinquent Tax Collection Fund accounts for collection and disbursements of delinquent taxes and deposits due to other units and individuals.



**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

*Other Accounting Policies*

Cash and Cash Equivalents - The Township's cash and cash equivalents include checking, money market, certificates of deposits, and savings accounts.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township does have an investment policy that meets state statutory regulations.

Property Taxes - Property taxes are levied on December 1. The Township collects its own property taxes until February 28, at which time collection is turned over to Houghton County for collection.

For the year ended March 31, 2008, the Township levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
Township Operating	1.2910

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."  
All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

The Township utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements

Capital Assets

Capital assets, which include land, buildings, equipment, water/sewer improvements, and vehicles are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Furniture and other equipment	5-10 years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Contributed capital - The Township follows the policy of reducing contributed capital in the water and sewer funds for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At March 31, 2007, Federal, State and Local contributed capital of \$5,215,317 has been reduced to \$5,025,219 as of March 31, 2008. The current year amortization is \$190,098.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrued Benefits

The liabilities for accrued benefits reported in the government-wide statements in the amount of \$2,279, consisted of sick leave and vacation balances.

Accrued vacation time is payable upon termination of employment or retirement. Accrued sick leave is not paid to employees upon termination of employment or retirement, thus there is not vested liability for unused sick leave.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each January, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following March 1, and submits this proposed budget to the Township Board of Trustees at the annual meeting in March.
- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the Township Board throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Township must adopt an annual operating budget for the General Fund.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE C - CASH AND INVESTMENTS**

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$443,762 of the Township's bank balance of \$2,008,635 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township does business.

At year-end, the Township's cash deposits (checking, savings and certificates of deposit) were reported in the basic financial statements in the following categories:

	Governmental Activities	Enterprise Funds	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 397,017	\$ 729,444	\$ 0	\$ 1,126,461
Restricted cash	0	841,182	27,387	868,569
Total cash and cash equivalents	<u>\$ 397,017</u>	<u>\$ 1,570,626</u>	<u>\$ 27,387</u>	<u>\$ 1,995,030</u>

**NOTE D - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of March 31, 2008 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 292,416	Baltic Sewer	\$ 20,025
		Painesdale Sewer	33,833
		Trimountain Sewer	216,752
		Atlantic Mine Sewer	9,715
		Retail Water	12,091
Subtotal	<u>292,416</u>	Subtotal	<u>292,416</u>
Fire Fund	7,011	General Fund	7,011
Subtotal	<u>7,011</u>	Subtotal	<u>7,011</u>
Debt Service	4,504	General Fund	4,504
Subtotal	<u>4,504</u>	Subtotal	<u>4,504</u>
Atlantic Mine	1,000	Retail	1,000
Subtotal	<u>1,000</u>	Subtotal	<u>1,000</u>
Wholesale Water	89,604	General Fund	68,813
Subtotal	<u>89,604</u>	Retail Water	20,791
Retail Water	11,350	Subtotal	<u>89,604</u>
Subtotal	<u>11,350</u>	General Fund	1,065
Painesdale Sewer	1,000	Atlantic Mine Sewer	10,285
Subtotal	<u>1,000</u>	Subtotal	<u>11,350</u>
TOTALS	<u>\$ 406,885</u>	Retail Water	1,000
		Subtotal	<u>1,000</u>
		TOTALS	<u>\$ 406,885</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE D - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Debt Service	\$ 20,500	General	\$ 20,500

**NOTE E - RECEIVABLES**

The detail of receivables at March 31, 2008 are as follows:

<u>Receivables</u>	<u>General</u>	<u>Fire</u>	<u>Debt Retirement</u>	<u>Proprietary</u>	<u>Total Primary Government</u>
Receivables	\$ 7,270	\$ 0	\$ 0	\$ 103,429	\$ 110,699
Special assessment	0	6,388	2,000	0	8,388
Total receivables	<u>\$ 7,270</u>	<u>\$ 6,388</u>	<u>\$ 2,000</u>	<u>\$ 103,429</u>	<u>\$ 119,087</u>

**NOTE F - CAPITAL ASSETS**

Capital asset activity of the Township's governmental activities was as follows:

	<u>Balance 04/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 03/31/08</u>
Land	\$ 168,779	\$ 0	\$ 0	\$ 168,779
Capital assets being depreciated:				
Building and additions	1,444,130	0	0	1,444,130
Equipment and machinery	121,508	0	0	121,508
Infrastructure	87,856	0	0	87,856
Office equipment	36,000	0	0	36,000
Vehicles	179,243	0	0	179,243
Subtotal	<u>1,868,737</u>	<u>0</u>	<u>0</u>	<u>1,868,737</u>
Accumulated depreciation:				
Building and additions	983,586	19,607	0	1,003,193
Equipment and machinery	96,569	4,207	0	100,776
Infrastructure	22,333	4,393	0	26,726
Office equipment	13,800	4,600	0	18,400
Subtotal	<u>59,150</u>	<u>21,876</u>	<u>0</u>	<u>81,026</u>
Subtotal	<u>1,175,438</u>	<u>54,683</u>	<u>0</u>	<u>1,230,121</u>
Net capital assets being depreciated	<u>693,299</u>	<u>(54,683)</u>	<u>0</u>	<u>638,616</u>
Net capital assets	<u>\$ 862,078</u>	<u>\$ (54,683)</u>	<u>\$ 0</u>	<u>\$ 807,395</u>

Depreciation expense was charged to activities of the Township as follows:

Governmental activities	
General government	\$ 24,768
Fire protection	29,915
Total governmental activities	<u>\$ 54,683</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE F - CAPITAL ASSETS (Continued)**

The property, plant, and equipment in Township business-type funds at March 31, 2008 are summarized as follows:

**SEWER FUNDS**

<u>Atlantic Mine</u>	Balance 4/01/2007	Additions	Deletions	Balance 3/31/2008
Land	\$ 2,000	\$ 0	\$ 0	\$ 2,000
Capital assets - utility System	3,692,916	0	0	3,692,916
Accumulated depreciation - utility System	1,016,365	105,103	0	1,121,468
Net capital assets being depreciated	2,676,551	(105,103)	0	2,571,448
Net capital assets	<u>\$ 2,678,551</u>	<u>\$ (105,103)</u>	<u>\$ 0</u>	<u>\$ 2,573,448</u>
<u>Painesdale Sewer Fund</u>	Balance 4/01/2007	Additions	Deletions	Balance 3/31/2008
Land	\$ 68,761	\$ 0	\$ 0	\$ 68,761
Capital assets - utility system	3,810,076	0	0	3,810,076
Accumulated depreciation - utility system	325,752	95,252	0	421,004
Net capital assets being depreciated	3,484,324	(95,252)	0	3,389,072
Net capital assets	<u>\$ 3,553,085</u>	<u>\$ (95,252)</u>	<u>\$ 0</u>	<u>\$ 3,457,833</u>

**WATER FUNDS**

<u>Retail Water Fund</u>	Balance 4/01/2007	Additions	Deletions	Balance 3/31/2008
Land	\$ 39,941	\$ 0	\$ 0	\$ 39,941
Construction in progress	80,909	0	0	80,909
Subtotal	120,850	0	0	120,850
Capital assets being depreciated:				
Buildings	42,201	0	0	42,201
Equipment/Vehicles/Machinery	65,855	0	0	65,855
Office Equipment	3,492	0	0	3,492
Utility System	1,492,955	0	0	1,492,955
Subtotal	1,604,503	0	0	1,604,503
Accumulated depreciation:				
Buildings	25,336	1,055	0	26,391
Equipment/Vehicles/Machinery	62,927	2,280	0	65,207
Office Equipment	2,644	424	0	3,068
Utility System	648,885	27,613	0	676,498
Subtotal	739,792	31,372	0	771,164
Net capital assets being depreciated	864,711	(31,372)	0	833,339
Net capital assets	<u>\$ 985,561</u>	<u>\$ (31,372)</u>	<u>\$ 0</u>	<u>\$ 954,189</u>

**NOTE F - CAPITAL ASSETS (Continued)**

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

<u>Wholesale Water Fund</u>	Balance 4/01/2007	Additions	Deletions	Balance 3/31/2008
Land	\$ 13,975	\$ 0	\$ 0	\$ 13,975
Capital assets being depreciated:				
Buildings	228,833	0	0	228,833
Wellhead Protection	8,528	0	0	8,528
Office Equipment	1,016	0	0	1,016
Utility System	1,973,271	3,528	0	1,976,799
Equipment/Vehicles/Machinery	66,170	0	0	66,170
Subtotal	2,277,818	3,528	0	2,281,346
Accumulated depreciation:				
Buildings	82,058	5,945	0	88,003
Wellhead Protection	2,771	426	0	3,197
Office Equipment	1,016	0	0	1,016
Utility System	835,581	42,258	0	877,839
Equipment/Vehicles/Machinery	57,406	3,017	0	60,423
Subtotal	978,832	51,646	0	1,030,478
Net capital assets being depreciated	1,298,986	(48,118)	0	1,250,868
Net capital assets	\$ 1,312,961	\$ (48,118)	\$ 0	\$ 1,264,843

**NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS**

**WHOLESALE WATER FUND**

Bond and Interest Redemption Account - The 1992 Water Supply System Revenue Bond requires that the township set aside each quarter on or after July 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The township's Bond and Interest Redemption Account balance should be \$34,736 at March 31, 2008. The township is in compliance with bond requirements.

Bond Reserve Account - The 1992 Water Supply System Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default. At March 31, 2008, the Bond Reserve account should be \$100,000. The township is in compliance with bond requirements.

Repair and Replacement Account - The 1992 Water Supply System Revenue Bond states the township has the option to establish a separate fund for the purpose of paying the cost of repairing or replacing any damage to the system, repairing or replacing obsolete, deteriorating portions of the system, or making improvements to the system, when necessary. The township has set aside \$100,000 designated for this account.

**ATLANTIC SEWER FUND**

Bond and Interest Redemption Account - The 1995 Sewage Disposal System Revenue Bonds requires that the township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment. The township's Bond and Interest Redemption Account balance should be \$19,244 at March 31, 2008. The township is in compliance with bond requirements.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE G - BOND PAYMENT AND RESERVE REQUIREMENTS - PROPRIETARY FUNDS (Continued)**

Bond Reserve Account - The 1995 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default. At March 31, 2008, the Bond Reserve account should be \$38,700. The township is in compliance with bond requirements.

**PAINESDALE SEWER FUND**

Bond and Interest Redemption Account - The 2001 Sewage Disposal System Revenue Bond requires that the township set aside each quarter on or after April 1, an amount not less than  $\frac{1}{2}$  of the amount of interest due on the next interest payment and  $\frac{1}{4}$  of the amount of principal due on the next principal payment. The township's Bond and Interest Redemption Account balance should be \$25,032 at March 31, 2008. The township is in compliance with bond requirements.

Bond Reserve Account - The 2001 Sewage Disposal Revenue Bond requires that the township establish a bond reserve account to be used for payment on the bond in the event of default. At March 31, 2008, the Bond Reserve account should be \$32,500. The township is in compliance with bond requirements.

Repair and Construction Account - The 2001 Sewage Disposal Revenue Bond requires that monies be transferred each quarter of the fiscal into the Repair and Construction Account in an amount not less than \$1,100, less the amount, if any, deposited into the Bond Reserve Account at the beginning of the same fiscal year quarter that is specified for the bond. At March 31, 2008, the township is in compliance with bond requirements.

**NOTE H - ACCUMULATED UNPAID SICK LEAVE AND COMPENSATORY TIME**

Township employees accumulate sick leave days monthly at a rate of one day per month. The employees will be compensated, upon retirement, at the rate of half pay for accumulated sick leave days. The maximum sick leave accrual is ninety (90) days. Accumulated unpaid sick leave at March 31, 2008 and 2007 was \$2,279 and \$12,362, respectively.

**NOTE I - LONG-TERM DEBT**

**Sewage Disposal Bond**

Sewage Disposal System revenue bonds were issued in 1995 in the amount of \$661,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 1997. The payment schedule for the bond is as follows:



TOWNSHIP OF ADAMS  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

NOTE I - LONG-TERM DEBT (Continued)

SEWAGE DISPOSAL SYSTEM FUND  
SCHEDULE OF REVENUE BONDS

Fiscal Year	April 1 Interest	October 1 Interest	October 1 Principal	Total
2008-09	\$ 13,667	\$ 13,667	\$ 11,000	\$ 38,334
2009-10	13,342	13,416	11,000	37,758
2010-11	13,092	13,165	12,000	38,257
2011-12	12,820	12,891	12,000	37,711
2012-13	12,618	12,618	13,000	38,236
2013-18	58,060	58,320	75,000	191,380
2018-23	48,725	48,942	95,000	192,667
2023-28	36,894	37,054	119,000	192,948
2028-33	22,149	22,223	147,000	191,372
2033-38	4,765	4,791	104,000	113,556
TOTAL	<u>\$ 236,132</u>	<u>\$ 237,087</u>	<u>\$ 599,000</u>	<u>\$ 1,072,219</u>

Water Supply System Bonds

Water Supply System revenue bonds were issued in 1992 in the amount of \$1,553,000 for the purpose of acquiring and constructing the Township's Water Supply System. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Water Supply System. The bond bears an interest rate not to exceed 5.75% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after June 1, 1993. The payment schedule for the bond is as follows:

WATER SUPPLY SYSTEM FUND  
SCHEDULE REVENUE BONDS

March 31, 2008

Fiscal Year	June 1 Interest	December 1 Interest	June 1 Principal	Total
2008-09	\$ 33,019	\$ 32,258	\$ 26,000	\$ 91,277
2009-10	32,080	31,439	28,000	91,519
2010-11	31,265	30,591	29,000	90,856
2011-12	30,422	29,685	31,000	91,107
2012-13	29,685	28,720	33,000	91,405
2013-18	132,181	127,074	195,000	454,255
2018-23	100,480	93,441	256,000	449,921
2023-28	58,739	49,075	339,000	446,814
2028-33	9,686	4,095	192,000	205,781
TOTAL	<u>\$ 457,557</u>	<u>\$ 426,378</u>	<u>\$ 1,129,000</u>	<u>\$ 2,012,935</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE I - LONG-TERM DEBT (Continued)**

Sewage Disposal System (Painesdale) Bond

Sewage Disposal System (Painesdale) revenue bond was issued in 2001 in the amount of \$918,000 for the purpose of acquiring, constructing, and equipping improvements to the Township's sewage disposal system serving the Painesdale area. This bond is self-liquidating and is not a general obligation of the Township, but is payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bond bears an interest rate not to exceed 4.5% per annum.

The bonds are subject to redemption prior to maturity, in inverse chronological order, at the option of the Township, on any interest payment date after October 1, 2002.

SEWAGE DISPOSAL SYSTEM (PAINESDALE)

SCHEDULE OF REVENUE BONDS

March 31, 2008

Fiscal Year	April 1 Interest	October 1 Interest	October 1 Principal	Total
2008-09	\$ 19,532	\$ 19,532	\$ 11,000	\$ 50,064
2009-10	19,282	19,282	12,000	50,564
2010-11	19,010	19,010	12,000	50,020
2011-12	18,737	18,737	13,000	50,474
2012-13	18,442	18,442	13,000	49,884
2013-18	87,396	87,396	77,000	251,792
2018-23	77,902	77,902	95,000	250,804
2023-28	65,978	65,978	120,000	251,956
2028-33	51,147	51,147	148,000	250,294
2033-38	32,727	32,727	185,000	250,454
2038-42	9,903	9,903	173,940	193,746
<b>TOTAL</b>	<b>\$ 420,056</b>	<b>\$ 420,056</b>	<b>\$ 859,940</b>	<b>\$ 1,700,052</b>

2001 Special Assessment Bonds

Special assessment bonds were issued in 2001 in the amount of \$80,000 for the purpose of defraying part of the cost of road improvements to Spring Brook Lane Road in the Township. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate of 4.5% per annum.

Bonds maturing in the years 2008 and thereafter, are subject to redemption prior to maturity, in any order of maturity and by lot within any maturity, at the option of the Township on any interest payment date after April 1, 2007, at par and accrued interest to the date fixed for redemption. The payment schedule for the bonds is as follows:

TOWNSHIP OF ADAMS  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

NOTE I - LONG-TERM DEBT (Continued)

SPRING BROOK LANE  
SCHEDULE OF SPECIAL ASSESSMENT BONDS  
March 31, 2008

Fiscal Year	April 1 Interest	October 1 Interest	April 1 Principal	Total
2008-09	\$ 788	\$ 563	\$ 10,000	\$ 11,351
2009-10	563	450	5,000	6,013
2010-11	450	225	10,000	10,675
2011-12	225	-	10,000	10,225
TOTALS	<u>\$ 2,026</u>	<u>\$ 1,238</u>	<u>\$ 35,000</u>	<u>\$ 38,264</u>

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2008:

	Balance 3/31/07	Additions	Reductions	Balance 3/31/08	Current Portion
Enterprise					
Sewage Disposal	\$ 609,000	\$ 0	\$ 10,000	\$ 599,000	\$ 11,000
Water Supply	1,154,000	0	25,000	1,129,000	26,000
Painesdale Sewage	870,940	0	10,940	860,000	11,000
Total Enterprise	<u>2,633,940</u>	<u>0</u>	<u>45,940</u>	<u>2,588,000</u>	<u>48,000</u>
Special Assessment-Spring Brook Lane	45,000	0	10,000	35,000	10,000
Total	<u>\$ 2,678,940</u>	<u>\$ 0</u>	<u>\$ 55,940</u>	<u>\$ 2,623,000</u>	<u>\$ 58,000</u>

As of March 31, 2008, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

SUMMARY SCHEDULE OF LONG-TERM DEBT  
March 31, 2008

Fiscal Year	Interest	Principal	Total
2008-09	\$ 133,026	\$ 58,000	\$ 191,026
2009-10	129,854	56,000	185,854
2010-11	126,808	63,000	189,808
2011-12	123,517	66,000	189,517
2012-13	120,525	59,000	179,525
2013-18	550,427	347,000	897,427
2018-23	447,392	446,000	893,392
2023-28	313,718	578,000	891,718
2028-33	160,447	487,000	647,447
2033-38	75,010	289,000	364,010
2038-42	19,806	174,000	193,806
TOTALS	<u>\$ 2,200,530</u>	<u>\$ 2,623,000</u>	<u>\$ 4,823,530</u>

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

**NOTE J - DEFERRED REVENUE**

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of March 31, 2008:

Fund	Special Assessments
Baltic Sewer Fund	\$ 26,463
Trimountain Sewer Fund	35,759
<b>TOTAL</b>	<b>\$ 62,222</b>

**NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Township maintained six Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2008 is as follows:

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer
Operating Revenues	\$6,675	\$86,353	\$10,669
Depreciation	\$0	\$95,252	\$0
Operating Income (Loss)	\$(13,345)	\$(22,040)	\$(56,274)
Non-operating Revenue (Expense)	\$260	\$(18,622)	\$304
Net Income (Loss)	\$(13,085)	\$(40,662)	\$(55,970)
Property, Plant & Equipment Additions	\$0	\$0	\$0
Net Working Capital (Deficit)	\$75,892	\$256,894	\$(97,941)
Total Assets	\$122,380	\$3,759,953	\$161,199
Total Equity	\$75,892	\$2,865,727	\$(97,941)

  

	Atlantic Mine Sewer	Wholesale Water	Retail Water
Operating Revenues	\$75,878	\$288,615	\$128,648
Depreciation	\$105,103	\$51,647	\$31,372
Operating Income (Loss)	\$(48,547)	\$54,421	\$(53,987)
Non-operating Revenue (Expense)	\$(9,477)	\$(43,879)	\$4,446
Net Income (Loss)	\$(58,024)	\$10,542	\$(49,541)
Property, Plant & Equipment Additions	\$0	\$3,528	\$0
Net Working Capital (Deficit)	\$(10,859)	\$198,540	\$62,002
Total Assets	\$2,858,978	\$2,011,038	\$1,133,630
Total Equity	\$2,239,449	\$855,310	\$1,097,586

**NOTE L - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**TOWNSHIP OF ADAMS**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2008**

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**NOTE M - DEFINED CONTRIBUTION PLAN**

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time employees working forty hours or more per week and elected Township officials are eligible to participate from their date of employment. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amounts contributed voluntarily by the employee, under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township made contributions in the amount of \$3,861 for the fiscal year ending March 31, 2008.

**NOTE N - SUBSEQUENT EVENT**

The Township anticipates to be awarded a \$1,893,000 grant and a \$552,000 loan from U.S. Department of Agriculture - Rural Development for new sewage collection and pumping system (Trimountain location) for approximately 103 homes plus a new sewage treatment lagoon. The total estimated cost of the project is \$2,525,000, with a \$1,893,000 grant, \$552,000 loan proceeds, and \$80,000 contribution from the township. Construction for the project is planned for summer of 2008.

**NOTE O - RECLASSIFICATION**

Certain items in the March 2007 financial statements have been reclassified to conform with the current year presentation.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF ADAMS**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
<b>REVENUES:</b>				
Current property taxes	\$ 44,000	\$ 44,000	\$ 43,172	\$ (828)
Special assessment - street lights	8,400	8,400	8,208	(192)
Commerical forest revenue	1,000	3,000	843	(2,157)
Yield tax	-	-	-	-
State shared revenue	134,500	136,000	133,842	(2,158)
Other state	1,100	1,100	1,018	(82)
Administration and collection fees	17,100	17,600	20,954	3,354
Cemetery fees	10,000	10,000	8,300	(1,700)
Interest	3,200	3,200	5,252	2,052
Library	3,600	3,600	3,450	(150)
Franchise fees	6,000	6,200	6,239	39
Reimbursements	1,050	1,050	6,499	5,449
Contributions	150	150	100	(50)
Miscellaneous	3,050	3,050	1,412	(1,638)
Rentals	2,700	2,700	2,850	150
<b>TOTAL REVENUE</b>	<b>235,850</b>	<b>240,050</b>	<b>242,139</b>	<b>2,089</b>
<b>EXPENDITURES:</b>				
General government				
Township board	18,355	8,780	4,855	3,925
Township supervisor	6,585	6,584	5,560	1,024
Legal, accounting, and audit	1,000	10,000	8,021	1,979
Clerk	27,470	34,470	25,805	8,665
Treasurer	15,600	15,300	14,737	563
Assessor	10,700	10,700	10,647	53
Elections	4,450	4,600	3,177	1,423
Building and grounds	36,000	37,000	35,279	1,721
Cemetery	14,700	16,200	12,634	3,566
Constable	841	841	841	-
Public works	38,000	38,000	33,228	4,772
Recreation	2,000	2,250	2,085	165
Library	7,450	7,450	6,761	689
Other activities	28,050	31,050	20,580	10,470
<b>TOTAL EXPENDITURES</b>	<b>211,201</b>	<b>223,225</b>	<b>184,210</b>	<b>39,015</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>24,649</b>	<b>16,825</b>	<b>57,929</b>	<b>41,104</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	-	-	(20,500)	(20,500)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 24,649</b>	<b>\$ 16,825</b>	<b>37,429</b>	<b>\$ 20,604</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>573,809</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 611,238</b>	

## **SUPPLEMENTAL FINANCIAL INFORMATION**



**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**BALANCE SHEETS**  
**March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
ASSETS:		
Cash	\$ 397,017	\$ 424,260
Taxes receivable	7,270	11,589
Due from other funds	292,416	218,207
Due from fiduciary funds	745	177
Prepaid expenses	<u>8,809</u>	<u>7,335</u>
 TOTAL ASSETS	 <u>\$ 706,257</u>	 <u>\$ 661,568</u>
LIABILITIES:		
Accounts payable	\$ 6,983	\$ 4,944
Due to other funds	81,393	77,891
Accrued expenses	<u>6,643</u>	<u>4,924</u>
 TOTAL LIABILITIES	 <u>95,019</u>	 <u>87,759</u>
 FUND EQUITY	 <u>611,238</u>	 <u>573,809</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 706,257</u>	 <u>\$ 661,568</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
REVENUES:		
Current property taxes	\$ 43,172	\$ 49,340
Special assessment - street lights	8,208	11,651
Commerical forest revenue	843	843
State shared revenues	133,842	132,355
Other state revenue	1,018	1,018
Administration and collection fees	20,954	16,730
Cemetery fees	8,300	7,540
Interest	5,252	4,069
Library	3,450	3,600
Franchise fees	6,239	2,909
Reimbursements	6,499	893
Contributions	100	100
Miscellaneous	1,412	3,390
Rentals	<u>2,850</u>	<u>2,700</u>
TOTAL REVENUES	<u>242,139</u>	<u>237,138</u>
EXPENDITURES:		
ASSESSOR:		
Tax supplies	3,447	3,238
Contract labor	<u>7,200</u>	<u>7,800</u>
Total assessor	<u>10,647</u>	<u>11,038</u>
SUPERVISOR:		
Salaries	5,560	5,560
Supplies	<u>-</u>	<u>35</u>
Total supervisor	<u>5,560</u>	<u>5,595</u>
CLERK:		
Salaries	5,959	5,884
Office supplies	<u>388</u>	<u>422</u>
Total clerk	<u>6,347</u>	<u>6,306</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (Continued)**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>TREASURER/ACCOUNTING:</b>		
Salaries	15,821	12,790
Supplies	2,181	1,414
Printing and publishing	<u>4,756</u>	<u>2,734</u>
Total treasurer/accounting	<u>22,758</u>	<u>16,938</u>
<b>GENERAL SERVICES:</b>		
Professional services	<u>19,458</u>	<u>568</u>
<b>TOWNSHIP BOARD:</b>		
Salaries	1,680	1,680
Supplies	581	800
Printing and publishing	220	934
Professional services	426	4,590
Contract labor	162	162
Miscellaneous	<u>1,786</u>	<u>2,146</u>
Total township board	<u>4,855</u>	<u>10,312</u>
<b>CEMETERY:</b>		
Salaries	9,076	6,545
Supplies	2,019	1,306
Utilities	164	677
Contract labor	<u>1,375</u>	<u>1,480</u>
Total cemetery	<u>12,634</u>	<u>10,008</u>
<b>PUBLIC WORKS:</b>		
Supplies	1,256	2,707
Utilities	30,935	32,081
Contract labor	455	1,399
Repair & maintenance	<u>582</u>	<u>582</u>
Total public works	<u>33,228</u>	<u>36,769</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (Continued)**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OTHER ACTIVITIES:		
Payroll taxes	3,652	3,424
Employee benefits	3,861	3,279
Insurance	12,628	15,627
Board of review	242	403
Miscellaneous	<u>197</u>	<u>2,536</u>
Total other activities	<u>20,580</u>	<u>25,269</u>
RECREATION:		
Utilities	<u>2,085</u>	<u>1,352</u>
Total recreation	<u>2,085</u>	<u>1,352</u>
LIBRARY:		
Utilities	<u>6,761</u>	<u>6,297</u>
Total library	<u>6,761</u>	<u>6,297</u>
CONSTABLE		
Salaries	<u>841</u>	<u>910</u>
ELECTIONS:		
Salaries	1,813	2,179
Supplies	642	1,200
Printing and publishing	<u>722</u>	<u>468</u>
Total elections	<u>3,177</u>	<u>3,847</u>
MAINTENANCE BUILDING:		
Salaries	6,071	6,574
Supplies	7,982	5,539
Utilities	21,226	16,400
Contract labor	<u>-</u>	<u>3,346</u>
Total maintenance building	<u>35,279</u>	<u>31,859</u>

**TOWNSHIP OF ADAMS**  
**GENERAL FUND**  
**DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE (Continued)**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
TOTAL EXPENDITURES	<u>184,210</u>	<u>167,068<sup>2</sup></u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>57,929</u>	<u>70,070</u>
Transfer in (out)	<u>(20,500)</u>	<u>-</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>573,809</u>	<u>503,739</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 611,238</u>	<u>\$ 573,809</u>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**BALANCE SHEETS**  
 March 31, 2008

	<u>2008</u>	<u>2007</u>
<b>ASSETS:</b>		
Taxes receivable	\$ 6,388	\$ 6,947
Due from other funds	<u>7,011</u>	<u>6,560</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,399</u></b>	<b><u>\$ 13,507</u></b>
<b>LIABILITIES:</b>		
Accounts payable	<u>\$ 571</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES:</b>	<u>571</u>	<u>-</u>
<b>FUND EQUITY:</b>		
Fund balance	<u>12,828</u>	<u>13,507</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 13,399</u></b>	<b><u>\$ 13,507</u></b>

**TOWNSHIP OF ADAMS**  
**FIRE PROTECTION FUND**  
**DETAILED SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended March 31, 2008**

	<u>2008</u>	<u>2007</u>
REVENUES:		
Taxes	\$ 22,640	\$ 28,232
Miscellaneous	<u>2,286</u>	<u>5,342</u>
TOTAL REVENUES:	<u>24,926</u>	<u>33,574</u>
EXPENDITURES:		
Supplies	13,524	9,812
Utilities	10,349	6,753
Repairs & maintenance	1,732	870
Capital outlay	<u>-</u>	<u>22,733</u>
TOTAL EXPENDITURES:	<u>25,605</u>	<u>40,168</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(679)	(6,594)
FUND BALANCE, BEGINNING OF YEAR	<u>13,507</u>	<u>20,101</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,828</u>	<u>\$ 13,507</u>

**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING BALANCE SHEETS**  
Year Ended March 31, 2008  
With Comparative Totals for Year Ended March 31, 2007

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTALS	
							(Memorandum Only)	2007
<b>ASSETS:</b>								
Current assets:								
Cash	\$ 95,917	\$ 296,659	\$ 125,440	\$ 14,605	\$ 128,319	\$ 68,504	\$ 729,444	\$ 696,312
Accounts receivable	26,463	4,461	35,759	3,709	22,550	10,487	103,429	101,461
Due from other funds	-	1,000	-	1,000	89,604	11,350	102,954	100,945
Prepaid expenses	-	-	-	1,356	10,795	7,705	19,856	14,581
Total current assets	122,380	302,120	161,199	20,670	251,268	98,046	955,683	913,299
Restricted cash	-	-	-	264,860	494,927	81,395	841,182	770,960
Fixed assets	-	3,878,837	-	3,694,916	2,295,322	1,725,353	11,594,428	11,590,900
Accumulated depreciation	-	(421,004)	-	(1,121,468)	(1,030,479)	(771,164)	(3,344,115)	(3,060,741)
<b>TOTAL ASSETS</b>	<b>\$ 122,380</b>	<b>\$ 3,759,953</b>	<b>\$ 161,199</b>	<b>\$ 2,858,978</b>	<b>\$ 2,011,038</b>	<b>\$ 1,133,630</b>	<b>\$ 10,047,178</b>	<b>\$ 10,214,418</b>
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ -	\$ 297	\$ 6,629	\$ 409	\$ 3,797	\$ 245	\$ 11,377	\$ 18,233
Due to other funds	20,025	33,833	216,752	20,000	-	34,882	325,492	236,625
Current maturities on bond payable	-	11,000	-	11,000	26,000	-	48,000	46,000
Accrued expenses	-	96	-	120	22,931	917	24,064	23,855
Deferred revenue	26,463	-	35,759	-	-	-	62,222	59,002
Total current liabilities	46,488	45,226	259,140	31,529	52,728	36,044	471,155	383,715
Long term bonds payable-net of current maturities	-	849,000	-	588,000	1,103,000	-	2,540,000	2,587,940
<b>TOTAL LIABILITIES</b>	<b>46,488</b>	<b>894,226</b>	<b>259,140</b>	<b>619,529</b>	<b>1,155,728</b>	<b>36,044</b>	<b>3,011,155</b>	<b>2,971,655</b>
<b>FUND EQUITY:</b>								
Contributed capital	-	2,566,815	-	2,110,083	97,841	250,480	5,025,219	5,215,317
Retained Earnings-Restricted	-	-	-	264,860	494,927	81,395	841,182	366,111
Retained Earnings-Unreserved	75,892	298,912	(97,941)	(135,494)	262,542	765,711	1,169,622	1,661,335
<b>TOTAL FUND EQUITY</b>	<b>75,892</b>	<b>2,865,727</b>	<b>(97,941)</b>	<b>2,239,449</b>	<b>855,310</b>	<b>1,097,586</b>	<b>7,036,023</b>	<b>7,242,763</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 122,380</b>	<b>\$ 3,759,953</b>	<b>\$ 161,199</b>	<b>\$ 2,858,978</b>	<b>\$ 2,011,038</b>	<b>\$ 1,133,630</b>	<b>\$ 10,047,178</b>	<b>\$ 10,214,418</b>



**TOWNSHIP OF ADAMS**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN RETAINED EARNINGS**

Year Ended March 31, 2008

With Comparative Totals for Year Ended March 31, 2007

						Totals		
	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	2008	2007
<b>OPERATING REVENUES:</b>								
Charges for services	\$ -	\$ -	\$ -	\$ 75,378	\$ 280,803	\$ 127,209	\$ 483,390	\$ 476,939
Special assessment	6,675	86,290	10,635	-	-	-	103,600	102,910
Other	-	63	34	500	7,812	1,439	9,848	7,703
<b>TOTAL OPERATING REVENUES</b>	<b>6,675</b>	<b>86,353</b>	<b>10,669</b>	<b>75,878</b>	<b>288,615</b>	<b>128,648</b>	<b>596,838</b>	<b>587,552</b>
<b>OPERATING EXPENSES</b>	<b>20,020</b>	<b>108,393</b>	<b>66,943</b>	<b>124,425</b>	<b>234,194</b>	<b>182,635</b>	<b>736,610</b>	<b>636,864</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(13,345)</b>	<b>(22,040)</b>	<b>(56,274)</b>	<b>(48,547)</b>	<b>54,421</b>	<b>(53,987)</b>	<b>(139,772)</b>	<b>(49,312)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest income	260	974	304	4,226	21,394	4,446	31,604	25,672
Interest expense	-	(19,596)	-	(13,703)	(65,273)	-	(98,572)	(133,574)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>260</b>	<b>(18,622)</b>	<b>304</b>	<b>(9,477)</b>	<b>(43,879)</b>	<b>4,446</b>	<b>(66,968)</b>	<b>(107,902)</b>
<b>NET INCOME (LOSS)</b>	<b>(13,085)</b>	<b>(40,662)</b>	<b>(55,970)</b>	<b>(58,024)</b>	<b>10,542</b>	<b>(49,541)</b>	<b>(206,740)</b>	<b>(157,214)</b>
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	<b>88,977</b>	<b>257,117</b>	<b>(41,971)</b>	<b>101,451</b>	<b>746,177</b>	<b>875,695</b>	<b>2,027,446</b>	<b>1,994,562</b>
<b>ADJUSTMENTS TO FUND EQUITY:</b>								
Depreciation on Contributed Capital	-	82,457	-	85,939	750	20,952	190,098	190,098
<b>RETAINED EARNINGS, END OF YEAR</b>	<b>\$ 75,892</b>	<b>\$ 298,912</b>	<b>\$ (97,941)</b>	<b>\$ 129,366</b>	<b>\$ 757,469</b>	<b>\$ 847,106</b>	<b>\$ 2,010,804</b>	<b>\$ 2,027,446</b>

**TOWNSHIP OF ADAMS**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**ALL ENTERPRISE FUNDS**

Year Ended March 31, 2008

With Comparative Totals for Year Ended March 31, 2007

	Baltic Sewer	Painesdale Sewer	Trimountain Sewer	Atlantic Sewer	Wholesale Water	Retail Water	TOTALS	
							2008	2007 (Memorandum Only)
<b>RECONCILIATION OF OPERATING</b>								
<b>INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>								
Operating Income (Loss)	\$ (1,334,345)	\$ (22,040)	\$ (56,274)	\$ (48,547)	\$ 54,421	\$ (53,987)	\$ (139,772)	\$ (49,314)
Adjustments to Reconcile Operating								
Income to Net Cash Provided by Operating Activities:								
Depreciation	0	95,252	0	105,103	51,647	31,372	283,374	287,877
(Increase) Decrease in accounts receivable	(2,325)	(4)	(895)	331	2,364	(1,440)	(1,969)	11,558
(Increase) Decrease in inventory	0	0	0	0	0	0	0	0
(Increase) Decrease in prepaid expenses	0	0	0	(1,356)	(2,561)	(1,358)	(5,275)	2,681
(Increase) Decrease in due from other funds	0	(1,000)	0	(1,000)	(9)	0	(2,009)	7,500
Increase (Decrease) in accounts payable	0	287	6,628	(118)	(5,976)	(7,677)	(6,856)	(2,853)
Increase (Decrease) in due to other funds	20,000	0	60,282	1,250	0	7,335	88,867	6,280
Increase (Decrease) in accrued expenses	0	(173)	0	41	(111)	453	210	(1,065)
Increase (Decrease) in deferred revenue	2,325	0	895	0	0	0	3,220	998
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6,655</b>	<b>72,322</b>	<b>10,636</b>	<b>55,704</b>	<b>59,775</b>	<b>(25,302)</b>	<b>219,790</b>	<b>263,662</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Reductions of long-term debt	0	(10,940)	0	(10,000)	(25,000)	0	(45,940)	(41,060)
Interest paid on long-term debt	0	(19,596)	0	(13,703)	(65,273)	0	(98,572)	(133,574)
Purchase of fixed assets	0	0	0	0	(3,528)	0	(3,528)	(5,194)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>0</b>	<b>(30,536)</b>	<b>0</b>	<b>(23,703)</b>	<b>(93,801)</b>	<b>0</b>	<b>(148,040)</b>	<b>(179,828)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest on investments and deposits	260	974	304	4,226	21,394	4,446	31,604	25,672
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>260</b>	<b>974</b>	<b>304</b>	<b>4,226</b>	<b>21,394</b>	<b>4,446</b>	<b>31,604</b>	<b>25,672</b>
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	<b>6,915</b>	<b>42,760</b>	<b>10,940</b>	<b>36,227</b>	<b>27,368</b>	<b>(20,856)</b>	<b>103,354</b>	<b>109,506</b>
<b>CASH AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>89,002</b>	<b>253,899</b>	<b>114,500</b>	<b>243,238</b>	<b>595,878</b>	<b>170,755</b>	<b>1,467,272</b>	<b>1,357,766</b>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 95,917</b>	<b>\$ 296,659</b>	<b>\$ 125,440</b>	<b>\$ 279,465</b>	<b>\$ 623,246</b>	<b>\$ 149,899</b>	<b>\$ 1,570,626</b>	<b>\$ 1,467,272</b>

**TOWNSHIP OF ADAMS**  
**BALTIC SEWER**  
**DETAIL SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Special assessment	\$ <u>6,675</u>	\$ <u>7,745</u>
EXPENSES:		
Bank service charges	20	-
Professional fees	<u>20,000</u>	<u>25</u>
TOTAL EXPENSES:	<u>20,020</u>	<u>25</u>
OPERATING INCOME (LOSS)	(13,345)	7,720
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>260</u>	<u>278</u>
NET INCOME (LOSS)	(13,085)	7,998
RETAINED EARNINGS, BEGINNING OF YEAR	<u>88,977</u>	<u>80,979</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 75,892</u>	<u>\$ 88,977</u>

**TOWNSHIP OF ADAMS**  
**PAINESDALE SEWER**  
**DETAIL SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Special assessment	\$ -	\$ 1,210
Special assessment - operation & maintenance	32,131	31,990
Special assessment - debt retirement	54,159	53,350
Other	<u>63</u>	<u>25</u>
TOTAL OPERATING REVENUES	<u>86,353</u>	<u>86,575</u>
EXPENSES:		
Salaries	8,918	5,411
Supplies	2,260	2,128
Utilities	1,420	1,973
Depreciation	95,252	95,252
Refunds	43	-
Miscellaneous	500	3,338
Contract labor	<u>-</u>	<u>360</u>
TOTAL EXPENSES	<u>108,393</u>	<u>108,462</u>
OPERATING INCOME	<u>(22,040)</u>	<u>(21,887)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	974	979
Interest expense	<u>(19,596)</u>	<u>(39,419)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(18,622)</u>	<u>(38,440)</u>
NET INCOME (LOSS)	(40,662)	(60,327)
RETAINED EARNINGS, BEGINNING OF YEAR	257,117	234,987
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>82,457</u>	<u>82,457</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 298,912</u>	<u>\$ 257,117</u>

**TOWNSHIP OF ADAMS**  
**TRIMOUNTAIN SEWER**  
**DETAIL SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Special assessment	\$ 10,635	\$ 8,615
Miscellaneous	<u>34</u>	<u>-</u>
TOTAL OPERATING REVENUES:	<u>10,669</u>	<u>8,615</u>
EXPENSES:		
Miscellaneous	32	29
Engineering services	<u>66,911</u>	<u>2,154</u>
TOTAL EXPENSES	<u>66,943</u>	<u>2,183</u>
OPERATING INCOME (LOSS)	(56,274)	6,432
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>304</u>	<u>327</u>
NET INCOME (LOSS)	(55,970)	6,759
RETAINED EARNINGS, BEGINNING OF YEAR	<u>(41,971)</u>	<u>(48,730)</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ (97,941)</u>	<u>\$ (41,971)</u>

**TOWNSHIP OF ADAMS**  
**ATLANTIC MINE SEWER**  
**DETAIL SCHEDULES OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Charges for services	\$ 75,378	\$ 72,086
Miscellaneous	<u>500</u>	<u>3,493</u>
TOTAL OPERATING REVENUES:	<u>75,878</u>	<u>75,579</u>
EXPENSES:		
Salaries	4,565	2,150
Supplies	3,387	2,707
Utilities	4,806	4,066
Insurance	-	1,343
Repairs & maintenance	-	543
Depreciation	105,103	104,855
Miscellaneous	58	620
Contract labor	<u>6,506</u>	<u>7,861</u>
TOTAL EXPENSES	<u>124,425</u>	<u>124,145</u>
OPERATING INCOME (LOSS)	<u>(48,547)</u>	<u>(48,566)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	4,226	3,349
Interest expense	<u>(13,703)</u>	<u>(27,585)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(9,477)</u>	<u>(24,236)</u>
NET INCOME (LOSS)	(58,024)	(72,802)
RETAINED EARNINGS, BEGINNING OF YEAR	101,451	88,314
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>85,939</u>	<u>85,939</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 129,366</u>	<u>\$ 101,451</u>

**TOWNSHIP OF ADAMS**  
**WHOLESALE WATER**  
**DETAIL SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Charges for services	\$ 280,803	\$ 277,577
Other	<u>7,812</u>	<u>4,069</u>
TOTAL OPERATING REVENUES	<u>288,615</u>	<u>281,646</u>
EXPENSES:		
Salaries	37,705	38,436
Payroll taxes	3,281	4,636
Employee benefits	37,390	39,718
Supplies	31,045	23,929
Office supplies	78	34
Utilities	57,563	52,843
Insurance	5,554	14,211
Contract labor	750	4,407
Travel expenses	266	-
Repairs & maintenance	5,357	13,593
Professional services	3,406	4,338
Depreciation	51,647	52,835
Miscellaneous	<u>152</u>	<u>2,393</u>
TOTAL EXPENSES	<u>234,194</u>	<u>251,373</u>
OPERATING INCOME (LOSS)	<u>54,421</u>	<u>30,273</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	21,394	17,871
Interest expense	<u>(65,273)</u>	<u>(66,570)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(43,879)</u>	<u>(48,699)</u>
NET INCOME (LOSS)	10,542	(18,426)
RETAINED EARNINGS, BEGINNING OF YEAR	746,177	763,853
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>750</u>	<u>750</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 757,469</u>	<u>\$ 746,177</u>

**TOWNSHIP OF ADAMS**  
**RETAIL WATER**  
**DETAIL SCHEDULES OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Years Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES:		
Charges for services	\$ 127,209	\$ 127,276
Miscellaneous	<u>1,439</u>	<u>116</u>
TOTAL OPERATING REVENUES	<u>128,648</u>	<u>127,392</u>
EXPENSES:		
Salaries	43,595	38,276
Payroll taxes	-	1,440
Supplies	17,445	2,204
Office supplies	2,654	2,682
Utilities	51,256	46,894
Insurance	10,977	12,290
Repairs & maintenance	25,306	8,956
Travel expenses	30	11
Professional services	-	2,533
Depreciation	31,372	34,935
Capital outlay	-	270
Miscellaneous	<u>-</u>	<u>185</u>
TOTAL EXPENSES	<u>182,635</u>	<u>150,676</u>
OPERATING INCOME (LOSS)	(53,987)	(23,284)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	<u>4,446</u>	<u>2,868</u>
NET INCOME (LOSS)	(49,541)	(20,416)
RETAINED EARNINGS, BEGINNING OF YEAR	875,695	875,159
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	<u>20,952</u>	<u>20,952</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 847,106</u>	<u>\$ 875,695</u>



**TOWNSHIP OF ADAMS**  
**TAX COLLECTION FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended March 31, 2008**

**TAX COLLECTION FUND**

	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<b>ASSETS:</b>				
Cash	\$ 24,761	\$ 1,261,645	\$ 1,259,468	\$ 26,938
Due from County	0	10,623	0	10,623
<b>TOTAL ASSETS</b>	<b>\$ 24,761</b>	<b>\$ 1,272,268</b>	<b>\$ 1,259,468</b>	<b>\$ 37,561</b>
<b>LIABILITIES:</b>				
Due to General Fund	\$ 170	\$ 51,414	50,868	\$ 716
Due to Retail Water Fund	0	59,346	59,346	0
Due to Fire Protection Fund	0	0	0	0
Due to Debt Retirement Fund	0	0	0	0
Due to other governmental units	24,591	1,161,508	1,149,254	36,845
<b>TOTAL LIABILITIES</b>	<b>\$ 24,761</b>	<b>\$ 1,272,268</b>	<b>\$ 1,259,468</b>	<b>\$ 37,561</b>

**DELINQUENT TAX COLLECTION FUND**

	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<b>ASSETS:</b>				
Cash	\$ 51	\$ 52,175	\$ 51,777	\$ 449
<b>TOTAL ASSETS</b>	<b>\$ 51</b>	<b>\$ 52,175</b>	<b>\$ 51,777</b>	<b>\$ 449</b>
<b>LIABILITIES:</b>				
Due to General Fund	\$ 7	\$ 5,586	\$ 5,564	\$ 29
Due to Fire Protection Fund	63	40	80	23
Due to other governmental units	(19)	46,549	46,133	397
<b>TOTAL LIABILITIES</b>	<b>\$ 51</b>	<b>\$ 52,175</b>	<b>\$ 51,777</b>	<b>\$ 449</b>

**TOTAL FUNDS**

	Balance 3/31/07	Additions	Deductions	Balance 3/31/08
<b>ASSETS:</b>				
Cash	\$ 24,812	\$ 1,313,820	\$ 1,311,245	\$ 27,387
Due from County	0	10,623	0	10,623
<b>TOTAL ASSETS</b>	<b>\$ 24,812</b>	<b>\$ 1,324,443</b>	<b>\$ 1,311,245</b>	<b>\$ 38,010</b>
<b>LIABILITIES:</b>				
Due to General Fund	\$ 177	\$ 57,000	\$ 56,432	\$ 745
Due to Retail Water Fund	0	59,346	59,346	0
Due to Fire Protection Fund	63	40	80	23
Due to Debt Retirement Fund	0	0	0	0
Due to other governmental units	24,572	1,208,057	1,195,387	37,242
<b>TOTAL LIABILITIES</b>	<b>\$ 24,812</b>	<b>\$ 1,324,443</b>	<b>\$ 1,311,245</b>	<b>\$ 38,010</b>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees  
Township of Adams  
Painesdale, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Adams as of and for the year then ended March 31, 2008 which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements is more than inconsequential and will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2008-1 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Adams' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2008-1.

We noted certain matters that we reported to management of the Township of Adams in a separate letter dated July 22, 2008.

The Township of Adams' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township of Adams' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Township Board, others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

July 22, 2008

*Bruce A. Rukkila, CPA. PC*  
Certified Public Accountants

**TOWNSHIP OF ADAMS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended March 31, 2008**

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**2008-1 – Preparation of Financial Statements in Accordance with GAAP**

**Criteria:** All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting government-wide financial statements, including related footnotes.

**Condition:** As is the case with many small entities, the Township of Adams has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township of Adams' ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

**Cause:** Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the Township of Adams to perform this task internally.

**Effect:** As a result of this condition, the Township of Adams lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of Responsible Officials:** The Township of Adams has evaluated the benefits of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township of Adams to out source this task to its external auditors, and to carefully review the draft financials statements and notes prior to approving them and accepting responsibility for their content and presentation.



Bruce A Rukkila, CPA, PC



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July 22, 2008

Honorable Supervisor and Board of Trustees  
Township of Adams  
South Range, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Adams for the year ended March 31, 2008, and have issued our report thereon dated July 22, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material aspects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve the Board of Trustees or management of its responsibilities, as stated below.

#### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Adams are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2008. We noted no transactions entered into by the Township of Adams during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is current judgments. Management's estimate of the useful lives of fixed assets, used to calculate depreciation, is based on the estimated useful lives of certain classes of assets. We evaluated the key factors and assumptions used to develop the useful lives to determine that they are reasonable in relation to the financial statements taken as a whole.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated July 22, 2008.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Adams' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township of Adams Board and should not be used for any other purpose.

It has been a pleasure to provide audit services to the Township of Adams. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Very truly yours,

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

In planning and performing our audit of the financial statements of the Township of Adams, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Adams' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

However, during our audit we became aware of opportunities for strengthening internal controls and operating efficiencies. The following items summarize our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any addition study of these matters, or to assist you in implementing the recommendations.

#### Preparation of Financial Statements in Accordance with GAAP

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and reporting financial statements, including related footnotes.

As is the case with many small entities, the Township of Adams has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township of Adams' ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal controls.

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the finance department, management has made the decision that it is in their best interest to out source the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the Township of Adams to perform this task internally.

As a result of this condition, the Township of Adams lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The Township of Adams has evaluated the benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to out source this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

#### Timesheets

It was observed during the course of the audit that timesheets for the Water Supervisor and Treasurer are not being signed for approval. Timesheets serve as substantiation of wages charged to various areas and should be approved by the Township Supervisor.

### Payroll Check Signatures

The payroll account allows for two signatures, however, it was noted that there is only one signature utilized on payroll checks. We recommend that dual signatures be utilized for all payroll checks.

### Bank Reconciliations

General principles of internal control call for segregation of the functions of recording transactions, authorization of transactions and custody of assets.

We advise that someone independent of the cash receipts and depositing duties, trace the written receipts to the bank deposit and bank statement and also prepare the monthly bank reconciliations. At the minimum, the clerk should review all bank statements, compare prior month's ending balance with opening balance, and confirm balances to the monthly financial reports. These procedures should be documented with the bank reconciliations and detailed within the Township's policies and procedures.

### Purchasing Policy

While not required by a specific statute, we suggest local units such as the Township, adopt a purchasing policy. Such a policy should address the following aspects:

*Purpose*—In general, the purpose of the purchasing policy is to encourage the efficient purchasing of appropriate goods or services at appropriate prices;

*Authority*— The policy should expressly state which employees have the authority to purchase goods or services;

*Approval*— The policy should define a process to purchase goods and services. The policy may distinguish between types of purchases and by dollar threshold. Often, purchase orders are also used to control and keep track of purchase commitments. Based on the types of services and dollar limitations, the policy should direct: (1) when competitiveness must be introduced (bids); and (2) when additional approval is required;

*Circumvention of Dollar Thresholds*— The policy should expressly state that separating the work of vendors into smaller invoices is a violation of the dollar threshold rules;

*Grant Requirements*— Purchases to be reimbursed for grants are often required to follow additional purchasing requirements, and the purchasing policy should adopt these requirements, at least indirectly by reference.

*Separation of Duties* – The policy should separate the duties of ordering, processing for payments, and receiving.



#### Water & Sewer Billings

It was noted during the course of the audit that the Billing Clerk manually enters all information from the meter books and that no one reviews any reports before the bills go out. We recommend that reports be reviewed by the supervisor before billings go out. In addition, we recommend any adjustments made by the Billing Clerk be approved at the same time.

We also suggest that an outstanding billing report be given to the Board monthly.

#### Water & Sewer Receivables

We suggest that the Treasurer reconcile the receivables in Quickbooks to the monthly receivable reports prepared by the Billing Clerk.

#### Segregation of Duties

General principles of internal control call for segregation of duties to reduce the risk of errors or misappropriation. It was noted that the Water Billing Clerk collects money, prepares the deposit, and makes the deposit. At the minimum, we recommend someone other than the Billing Clerk make the deposit.

#### Computer Backups

We suggest backups for all software programs be done after any work or changes are done within a particular program. It's important that the Township maintain reliable systems that include appropriate data backup and recovery processes.

This information is intended solely for the use of the Board and management of the Township of Adams and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.